

Message Text

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ACTION NEA-10

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FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 1001

INFO AMCONSUL KARACHI

AMCONSUL LAHORE

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E.O. 11652: N/A

TAGS: ETRD, PK

SUBJECT: GOP IMPORT POLICY FOR 1975/76

SUMMARY: THE IMPORT POLICY FOR 1975/76, WHICH WAS ANNOUNCED ON JUNE 28, LEFT LAST YEAR S POLICY ALMOST UNCHANGED. THE LIBERALIZED POLICY BEGUN THREE YEARS AGO IS BEING CARRIED ON. EMBASSY ASSESSMENT IS THAT THE NEW POLICY WILL HAVE LITTLE IMPACT ON U.S. EXPORT MARKET IN PAKISTAN. THIS REPORT INCORPORATES THE COMMENTS OF CONSULATE GENERAL KARACHI. END SUMMARY.

1. THE GOP TRADITIONALLY ANNOUNCES ITS IMPORT POLICY EVERY YEAR SHORTLY AFTER THE BUDGET. THIS YEAR S POLICY CONTINUES THE PRACTICE, BEGUN THREE YEARS AGO, OF MAINTAINING THREE BASIC LISTS FOR IMPORTS: (A) A "FREE LIST" WHICH IS FINANCED BY FREE FOREIGN EXCHANGE., (B) A "TIED LIST" RESTRICTED TO FINANCING WITH TIED CREDITS OR BARTER ARRANGEMENTS., AND (C) A SHORT LIST OF ITEMS WHICH ONLY THE STATE-OWNED TRADING CORPORATION OF PAKISTAN (TCP) MAY IMPORT. ITEMS NOT ON THESE LISTS MAY NOT BE IMPORTED. THE FREE LIST IS FURTHER SUBDIVIDED

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INTO THREE SECTIONS, ONE AUTHORIZED FOR ANY IMPORTER,

ANOTHER FOR IMPORTS BY NNDRORIALISTS ONLY, AND A THIRD FOR PUBLIC SECTOR IMPORTS ONLY.

2. THE MAIN POINTS ANNOUNCED IN THE 1975/76 REPORT POLICY ARE AS FOLLOWS:

(A) TWO ITEMS (BALL BEARINGS OF THE TYPES NOT MANUFACTURED IN PAKISTAN AND POWER TILLERS) WERE MOVED FROM THE TIED LIST TO THE FREE LIST. THE FREE LIST NOW INCLUDES 384 ITEMS, AS AGAINST 28 ON THE TIED LIST.

(B) THE CIELINGS FOR IMPORTS FOR BALANCING, MODERNIZATION AND REPLACEMENT OF EQUIPMENT WERE CHANGED. THE CEILING FOR CASH IMPORTS WAS RAISED FROM RS. 500,000 TO RS. 750,000 (DOLS75,000), AND THE CEILING FOR TIED CREDIT AND BARTER IMPORTS WAS CHANGED FROM RS. ONE AND TWO MILLION RESPECTIVELY TO RS. 1.5 MILLION (DOLS150,000).

(C) A FEW IS WERE N SUBDIVISION OF THE FREE LIST TO ANOTHER.

(D) ARTIFICIAL SILK AND SYNTHETIC YARN IMPORT QUOTAS WERE REDUCED FROM 400 TO 300 POUNDS PER POWER LOOM PER QUARTER.

(E) NO ADDITIONAL CONSUMER GOODS WERE PLACED ON EITHER IMPORTABLE LIST.

(F) THE GOP PROMISED TO "STREAMLINE" PROCEDURES FOR IMPORTS BY TCP. THE TCP HAD EARLIER IMPORTED LARGE STOCKS, PRIMARILY OF METAL PRODUCTS, WHICH IT NOW FINDS IT DIFFICULT TO DISPOSE OF SINCE WORLD PRICES HAVE DROPPED. THE NEW MEASURES ARE INTENDED TO PREVENT A RECURRENCE OF THIS PROBLEM.

3. LOCAL BUSINESS REACTIONS TO THIS POLICY HAS BEEN FAVORABLE. BUSINESS MEN HAD FEARED NEW IMPORT RESTRICTIONS BECAUSE OF PAKISTAN S HUGE 1974/75 TRADE DEFICIT, AND WERE RELIEVED WHEN SO FEW CHANGES WERE MADE.

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4. COMMENT. THE NEW POLICY WILL PROBABLY HAVE LITTLE IMPACT ON U.S. EXPORTS TO PAKISTAN. THE INCREASED CASH IMPORT CEILINGS MAY PROVIDE SOME MARGINAL ENCOURAGEMENT FOR EXPORTS OF EQUIPMENT. THE PRINCIPAL SIGNIFICANCE OF THE ANNOUNCEMENT IS THAT DESPITE A MUCH WORSENERD BALANCE OF TRADE, THE GOP HAS DECIDED TO MAINTAIN THE LIBERAL IMPORT POLICIES OF RECENT YEARS.

5. WHILE THE ANNUAL IMPORT POLICY IS DESIGNED TO SET THE POLICY FOR THE COMING YEAR, IN PRACTICE THERE ARE OFTEN IMPORT ADJUSTMENTS MADE OVER THE NEXT TWELVE MONTHS. FOR EXAMPLE, FOLLOWING LAST SUMMER S ANNOUNCEMENT, CHANGES WERE MADE DURING THE YEAR IN THE RESTRICTIONS APPLICABLE TO IMPORTS OF INEDIBLE TALLOW, AND TIRES AND TUBES. PERHAPS MOST IMPORTANT OF ALL, ADDITIONAL "REGULATORY" IMPORT DUTIES OF 25 PERCENT WERE LEVIED ON 22 LESS ESSENTIAL ITEMS (SUCH AS ELECTRICAL APPLIANCES, AUTOMOBILES AND YARN) IN FEBRUARY, AND SIMILIAR DUTIES OF BETWEEN 30 PERCENT AND 42.5 PERCENT WERE IMPOSED IN MARCH ON CERTAIN PVC PRODUCTS. THE BEST SUMMARY OF THE COUNTRY S COMMERCIAL IMPORT POLICY OVER THE PAST YEAR IS TO BE FOUND IN THE RECENT GOP PUBLICATION "PAKISTAN ECONOMIC SURVEY 1974-75", COPIES OF WHICH HAVE BEEN SENT AS CERP DOCUMENTS.

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